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DIRECTORATE OF  
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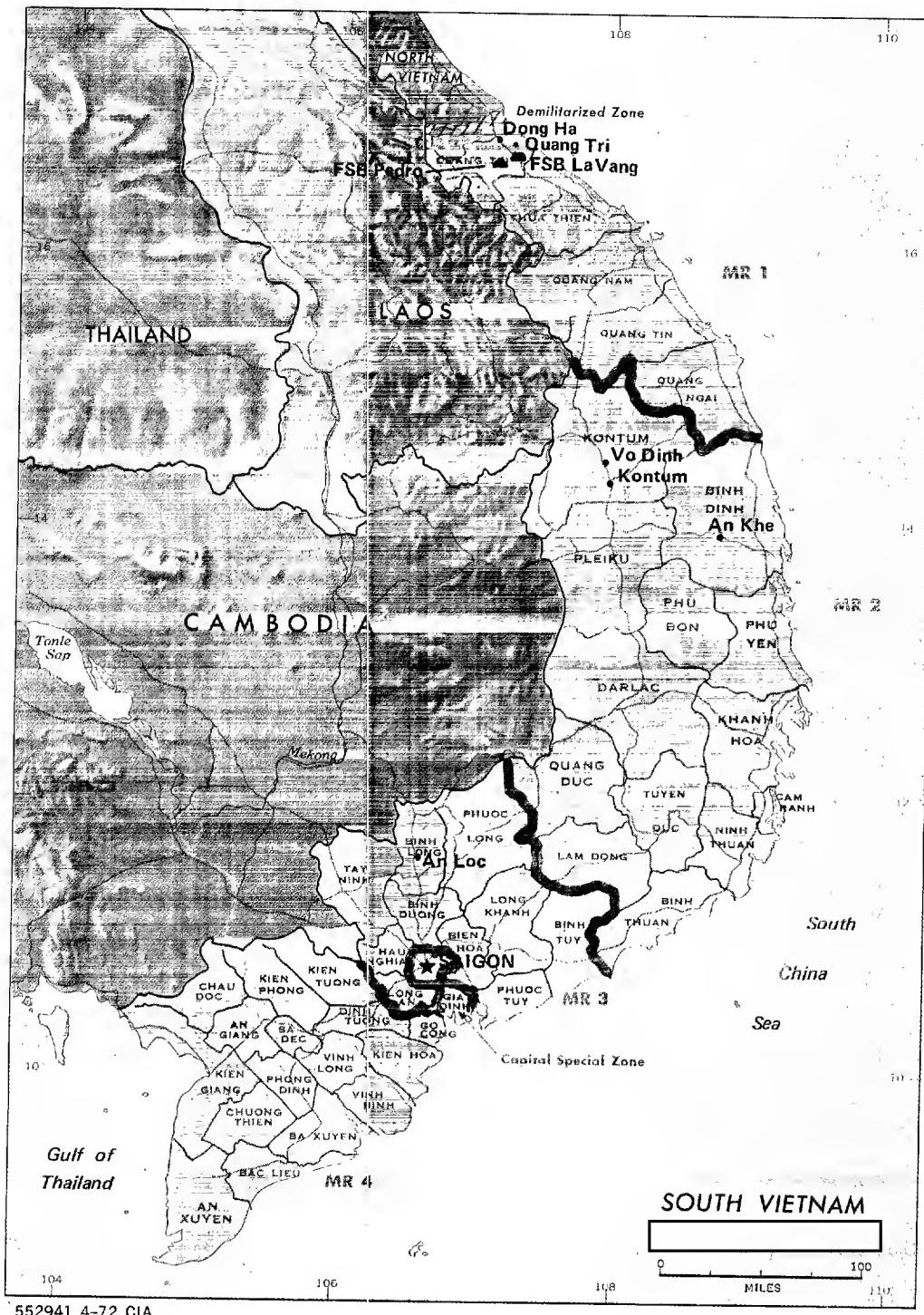
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C SOUTH VIETNAM: North Vietnamese infantry, supported by tanks and artillery, have returned to the attack against the outer defenses of Quang Tri City.

Enemy ground attacks were preceded during the night of 26-27 April by extensive shellings by 130-mm. guns and 122-mm. rockets. By midnight on the 27th, North Vietnamese forces were pressing hard against positions of the South Vietnamese 3rd Division southwest of the city. Enemy units were mounting supporting assaults north and south of the main drive, and intense artillery fire was being directed against the city and the La Vang combat bases. Government defenders had been pushed back to within two miles of the city.

The extensive Communist build-up before the new assaults and the strong artillery support being given to North Vietnamese infantry units suggest that the fighting may be heavy and sustained. It has been three and a half weeks since the North Vietnamese were stalled at Dong Ha in their drive south, a suitable interval for regrouping between major drives. Early on the 28th, tank-led North Vietnamese units forced government defenders to withdraw from Dong Ha and the Cua Viet River defense line. ARVN forces are now attempting to establish a new defense line several kilometers southeast of Dong Ha.

Flying weather remains poor in the Quang Tri area. Virtually all of the enemy's major drives during the current offensive have been timed to coincide with poor local weather conditions. This was true of the original thrust across the DMZ, the drive down toward An Loc, and the most recent assault in Kontum Province. It appears that the enemy may be deliberately holding up attacks, even after forces are in place and the battlefield is prepared, in order to wait for bad weather and the protection it affords from allied air attacks.

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In the highlands, enemy progress down Route 14 toward Kontum City remains slowed by the destruction of a key bridge, and the government's newly organized defenses at Vo Dinh have not yet been tested. The badly mauled 42nd ARVN Regiment is being refitted in Kontum City, and the 47th has been flown to Pleiku Province where it will regroup. On the eastern edge of the highlands, South Korean troops have managed to reopen Route 19 through An Khe Pass, which had been closed by the Communists for 15 days. The first supply convoy moved through the pass toward the highlands on 27 April. If the pass can be kept open for a few days, it may be possible to relieve some of the shortages that have been developing in Kontum as a result of the enemy's systematic interdiction of the main roads leading into that province.

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WEST GERMANY: The Bundestag vote on the Eastern treaties next week remains in doubt, despite the fact that the government survived opposition leader Barzel's no-confidence motion yesterday.

Apparently half of the 26 coalition Free Democratic deputies chose to vote instead of abstaining along with their Social Democratic partners. Barzel gained 247 votes--two short of the needed absolute majority--in his bid to oust Chancellor Brandt. One, possibly two, Free Democrats reportedly voted for Barzel, indicating that at least one of the opposition opted to support Brandt. In all, ten ballots were cast against Barzel, and three ballots were left blank.

This voting pattern will not necessarily be repeated in the Bundestag vote on the treaties. Barzel's ability to muster 247 votes, however, serves notice to Brandt that the government will have to marshal its forces carefully. Brandt will need only a simple majority on the first Bundestag vote on 4 or 5 May--248 deputies if Barzel can repeat his tally--but an absolute majority later in a second vote if he is to override the almost certain rejection of the treaties by the Bundesrat in mid-month.

Possibly instrumental in Barzel's defeat was the announcement on the eve of the vote that West German and East German negotiators had reached agreement on a general traffic treaty, and that East Germany had agreed to permit East Germans to visit West Germany on "urgent family matters" without age limitation. [redacted]

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CAMBODIA: The confrontation between the government and students in Phnom Penh has intensified as a result of a shooting incident yesterday at the city's law school.

Twenty students were wounded, three of them seriously, when military police fired on a group trying to join student agitator Koy Pech, who is barricaded in the law school with some supporters. This is the first time blood has been shed in an encounter between Cambodian demonstrators and the Lon Nol regime.

Large numbers of defiant students have congregated at Phnom Penh's Independence Monument and have refused to disperse until the government agrees to talk to their leaders. The government thus far has not responded to this demand. Instead, it has set up additional barricades, reinforced military police with regular troops, and ordered the evacuation of the law school. It has made no effort, however, to disperse the crowd at the monument or to ban further demonstrations. In addition, military police controlling the crowd at the monument evidently are under orders to avoid incidents and the use of riot gas and weapons.

Lon Nol evidently is still trying hard to cope with the disturbances with a minimum of force. His apparent hope that the government could outwait the students holed up in the law school may be fading, although he probably is still reluctant to force the issue by storming the building--especially since some students there have weapons. Lon Nol may find it difficult to vacillate much longer, with the referendum on the new constitution, the original object of the students' unhappiness, only two days away. It is possible that he will opt for a short-term expedient that might involve opening direct talks with the students and postponing the referendum until some compromise is found.

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CHINA: Peking's decision to curtail its May Day celebrations attests to persistent instability within the ruling elite.

A foreign press service in Peking, attributing its information to diplomatic observers there, has reported that Chinese officials are saying that the traditional mammoth May Day fireworks display has been canceled for "economy reasons." The unprecedented cancellation of this event probably is designed to avoid the necessity for a top leadership turnout; Mao Tse-tung, for example, has not missed the May Day celebrations since 1966. The last occasion requiring a major leadership show, the National Day rally last October, also was called off, allegedly as an economy measure. That rally was canceled because of the Lin Piao affair. Although an upheaval of similar magnitude may be under way now, curtailment of the May Day festivities is probably also due to some major internal political developments.

The most obvious explanation for avoiding a leadership show is to conceal the political decline of one or more of the ruling politburo members. All of the active politburo figures, however, have been making regular public appearances in recent weeks with the exception of Mao, who last appeared when President Nixon visited Peking. But prolonged absences from public view have been so much a part of Mao's leadership style that neither the state of his health nor the political temperature in Peking can be accurately gauged by his pattern of appearances. On the other hand, the continued public activity of the remaining members of the elite is no guarantee that they are not engaged in intense maneuvering behind the scenes. The problem of sorting out a new power configuration in the wake of the Lin Piao affair doubtless continues to roil the waters in Peking, and it is possible that there will be other high political victims as the search for a more durable leadership coalition goes on.

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Another possible indicator of fresh political tensions is the circulation among party cadre of yet another document denouncing Lin Piao and the top military leaders purged with him. The document describes a plan--the "571 Project"--purportedly drawn up by the Lin forces in preparation for an armed coup against Mao. The document is a curious one containing some particularly scurrilous attacks on Mao and identifying Lin as a proponent of some pragmatic domestic policies, which would seem to have popular appeal. The purpose behind publicizing the 571 Project is still obscure, but if it is not simply a further effort to nail the lid on Lin's political coffin, the circulation of the document may reflect heightened controversies over power and policy that are more current than historical.

At this stage, it is by no means clear that the mysterious and convoluted events in Peking signal impending political changes. Nevertheless, the amount of unfinished business on the Chinese leadership agenda, which includes filling the gaps in the politburo and reconstructing the institutions of political and military authority, offers ample testimony to the depth of the unresolved conflicts throughout the nation's leadership hierarchy.

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CHINA-MALTA: Peking has extended an interest-free loan of \$45 million to Malta, the first significant aid from a Communist country.

Some \$3 million will be provided in hard currency later this year. The remainder apparently is to be delivered over a six-year period and has been allocated for equipment and technical assistance, probably for Malta's light industry. The amount involved is comparable to the level recently extended by China to other developing countries.

The Chinese probably agreed in principle to the aid when Prime Minister Mintoff was in Peking in early April. By courting Mintoff, the Chinese apparently hope to forestall the development of Soviet influence in Malta. They also see a propaganda advantage in backing Mintoff's endorsement of the "sea of peace" concept, which calls for the exclusion of the US and USSR from the Mediterranean.

Mintoff's visit had been well received by most Maltese, and the announcement of this agreement will further enhance the prime minister's domestic stature. Some criticism can be expected from those who oppose any Malta-China ties, but Mintoff is likely to respond that the aid comes "without strings" and that the establishment of relations with Peking should not be a matter for concern, given the thaw in relations between most western nations and China.  

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NATO: The allies will attempt again next week to narrow differences on detente issues prior to Secretary Rogers' scheduled pre-Moscow consultations with the North Atlantic Council (NAC).

A number of allies still are pressing the US to agree to closer linkage between a Conference on Security and Cooperation in Europe (CSCE) and Mutual and Balanced Force Reductions (MBFR). The US is willing to discuss "some general aspects of MBFR" in a conference, but some allies want the CSCE to negotiate a declaration on MBFR principles. The Italians are pushing for a close CSCE/MBFR link as a way to increase potential Italian influence on MBFR. Rome's motivation is shared by other allies who might be excluded from MBFR negotiations. The British want NATO to remain flexible on the question, and the West Germans are trying to mediate allied differences. The French, of course, remain opposed to MBFR and do not favor even limited CSCE discussion of the subject.

Another contentious issue is whether, as the US has argued, the allies should propose a CSCE agenda item on "freer movement" of people, ideas, and information. The French and West Germans have urged that the language be toned down so that Moscow will not reject the item out of hand. This position now has extensive allied support.

The members and applicants of the European Community (EC), except Ireland, which is not a NATO member, have held consultations in anticipation of the Rogers visit--a practice now apparently routine in advance of important NATO discussion of detente issues.

The allies hope that when the NAC meets next Wednesday, progress can be made toward a consensus on these issues. The Belgian and British representatives echoed allied sentiment when they emphasized that an allied consensus is essential if President Nixon is to be the "main broker" for the alliance on CSCE and MBFR in Moscow. [redacted]

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EUROPEAN COMMUNITIES: Prospects have improved that, by mid-summer, the Communities will conclude industrial free trade agreements with most of the EFTA countries not seeking EC membership.

At the meeting of the EC Council this week, agreement was reached to offer new concessions on several of the outstanding issues in the negotiations with Austria, Finland, Sweden, Switzerland, Portugal, and Iceland. In particular, the EC would allow small tariff reductions on the so-called "sensitive" items during the first three years of the proposed agreements instead of the original three-year standstill. The EC would still protect its producers of these items, such as paper products, special steels and aluminum, by stretching out the complete elimination of tariffs up to 12 years. For most other products, such elimination will take five years.

No decision was reached by the Council on whether the Community should continue to insist on receiving agricultural concessions from the non-applicants. Since only Italy continues to hold out for such concessions, opposed by most of the non-applicants, the Council seems likely to drop this demand when it reviews the situation again in June.

It is likely that the bargaining will continue to be hard when the third round of negotiations opens in mid-May. Swedish officials have said that they will press for a shorter transition period on steel and paper, but they do not realistically expect to gain more from the EC. For Finland, the problem of gaining better terms is more acute. The Finnish minister of trade, in conversations earlier this week in Washington, said that in order for Finland to sign any agreement with the EC the transition period for paper products must be reduced to at most eight years. Without such an agreement, the Finnish minister foresaw Helsinki eventually being forced to develop closer trade ties with the Soviet Union.

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USSR-CUBA: The Soviet destroyer that operated from Havana over the past two weeks has moved to Antilla near the eastern end of the island. The ship may rendezvous with the Ugra-class submarine tender that arrived in Cuban waters on 26 April to escort it to Havana. The F-class diesel submarine that accompanied the destroyer to Cuba in early March remains in Mariel.

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PERU-ROMANIA: Lima and Bucharest are forming a joint company to develop Peru's Antamina copper deposit. A US firm formerly held this small concession, which reverted to state ownership in 1970 when the firm could not meet Lima's development deadlines. Peru will have a majority share in the venture and will finance local currency costs; Romania will hold the remainder and cover most or all of the foreign exchange requirements. This agreement follows a similar arrangement concluded last month between Lima's State Mining Company and a private Swedish firm to develop jointly another of the small concessions previously held by the US company. These agreements represent a significant accomplishment for Peru, which had been finding it difficult to obtain new foreign investment to develop these concessions because of the uncertain investment climate. Lima will find it harder, however, to obtain foreign development financing for the larger copper deposits, which will require an investment of up to \$550 million.

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